

EASTPORT INDUSTRIES, INC.

196881

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February 7, 2000

Surface Transportation Board
Office of the Secretary
Case Control Unit, Attn.: STB Ex Parte No. 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

re: Notice of Intent to Participate
Ex Parte No. 582

Dear Sir:

The attached letter is my anticipated written statement for my presentation before the Board on March 8, 2000. We have previously notified the Board of our intent to participate in the hearing. As mentioned in that notice I would like five minutes for my presentation to the Board.

I am submitting the original and 10 copies of this notice. I request that the Board waive the electronic submission requirement for this notice.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Ken Nail'.

Ken Nail
President

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Office of the Secretary
Case Control Unit, Attn: STB Ex Parte No. 582
1925 K Street, N.W.
Washington, D.C. 20423-0001

re: STB Ex Parte No. 582



Dear Sir:

Eastport Industries, Inc. is a shipping company in Eastport, Idaho, at the Canadian border. We are served by the Union Pacific and Canadian Pacific Railroads. Our annual volume is approximately \$70,000,000.00 in commodities shipped into various areas of the United States.

We are pleased to see the STB taking a careful approach to the BNSF/CN proposed control application. It is our opinion that the effects of another merger, or consolidation in the United States shipping industry will have an extensive effect upon the U.S. economy and have devastating effects on companies like ours. In the last series of major mergers, with the introduction of the Burlington Northern and Santa Fe merger and those that followed, our volume dropped a total of 38%. Our annual gross volume in 1996 was \$99,000,000.00, then in 1997 we lost 13% of our business, then in 1998 another drop of 29% on year to year comparisons. We have seen an increase in 1999 of 10% finally. It may take several more years to get back to those 1996 levels. This is our concern with another major rail merger coming so soon on the heels of several other major rail mergers. Our question is will we lose a greater amount of business than the previous merger losses gave us, if so we might find ourselves out of business with another 30-40% loss of our current business.

Another large railroad consolidation such as the BNSF/CN transaction would lead to other significant additional consolidations. For example the proposed BNSF/CN consolidation would make that railroad multinational. It would greatly simplify operations for that railroad into and out of Canada and the U.S. The Union Pacific Railroad may then be forced to attempt a consolidation with Canadian Pacific to maintain equal advantage. The Proposed BNSF/CN consolidation could give BNSF a virtual monopoly on shipping out of the southeast British Columbia and Southern Alberta. Such a monopoly could put my business, EASTPORT INDUSTRIES, INC. out of business. If this were to happen the UPRR would lose their only reload at the Canadian border. The only place the UPRR connects with the Canadian border is at Eastport, Idaho. This would be a serious blow to the UPRR operation, and it would be a devastating blow to this area of Northern Idaho, which is already economically depressed with a double digit unemployment rate.

If Canadian railroads are allowed to merge with U.S. railroads there would no longer be any need for international border reload centers. The Canadian Forest Products that are currently reloaded at the Eastport Industries, Inc. Reload Center could then be loaded at Canadian reload centers and the products could move freely across the border without changing railroads. This would result in jobs and other economic advantages in the U.S. being lost to Canada. In 1999 the total operating expense for Eastport Industries, Inc. was approximately \$640,000.00. This would be a serious loss to the U.S. economy and an especially serious loss to North Idaho. If this scenario is repeated many times across our northern border, it will be a serious blow to the U.S. economy.

If railroad consolidations are allowed to continue, we will ultimately end up with two North American Transcontinental railroad systems. Considering that the two railroad systems will each be the sole rail service to certain parts of the country, this will result in a virtual monopoly. If shippers only have access to one railroad, shipping costs will escalate. If the competitive control of shipping rates is lessened, the government will have to become more involved in railroad regulations. The high cost of government regulation is not needed, and we have enjoyed a much improved level of service at more competitive prices since the railroads were deregulated. We do not want to return to past mistakes.

As a rail shipper, we are still waiting for the effects of the past round of mergers to get back to normal. We prefer to wait until the customers that suffered under the last series of mergers have had their shipping return to a normal level before we upset the equilibrium again. The rail industry is still adjusting to the effects of the last round of mergers, which began with BN's purchase of Santa Fe. Not all the benefits of those mergers have been realized or accomplished yet. The industry needs to stabilize and improve its overall operations before further consolidations are undertaken.

The thought of having one or two mega railroads in North America is a serious concern to us. We think competition is healthy for our U.S. economy.

We appreciate the STB's careful approach to any further railroad mergers. Our position is no more mergers or consolidations for now, let the competitive market place control the industry and rates.

Thank you for the opportunity to comment on this very important issue.

Sincerely,


Ken Nail
President

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